

# **Fiscal Services Division**

## **Legislative Services Agency**

### **Fiscal Note**

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HF 2461 – Internal Revenue Code (IRC) Update Bill (LSB 5382 HV)  
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Fiscal Note Version – New

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#### **Description**

House File 2461 updates Iowa's tax laws to incorporate federal Internal Revenue Code (IRC) changes made by Congress in 2005. Specific federal legislation addressed by the estimate includes:

- The Katrina Emergency Tax Relief Act of 2005 (H.R. 3768)
- The Energy Tax Incentives Act of 2005 (H.R. 6)

The two federal Acts were determined by the Department of Revenue to have a total of 45 provisions with potential impacts on Iowa revenue.

Section 5 of the Bill creates a maximum \$2,000 deduction for purchasers of a clean fuel motor vehicle that is eligible for the federal Alternative Motor Vehicle Credit (section 30B of the Internal Revenue Code).

#### **Fiscal Impact**

The provisions of HF 2461 conforming Iowa's tax code to changes made to the federal Internal Revenue Code during 2005 are projected to decrease net General Fund revenue by:

- FY 2005: \$ 1.0 million
- FY 2006: \$ 0.4 million
- FY 2007: \$ 0.1 million

#### **Related Revenue Issue**

Since Iowa allows all taxpayers to deduct federal income tax paid from their State taxable income, when Congress takes actions that reduce federal taxes owed, most Iowa taxpayers see a corresponding increase in their State tax bill. The increase in State taxes owed occur automatically when federal tax reductions are enacted and do not take Legislative action. The Department of Revenue estimates that this "deductibility effect" will increase net General Fund revenue by the following amounts.

- FY 2006: \$ 0.9 million
- FY 2007: \$ 2.0 million
- FY 2008: \$ 2.5 million

#### **Source**

Department of Revenue

/s/ Holly M. Lyons

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March 6, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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